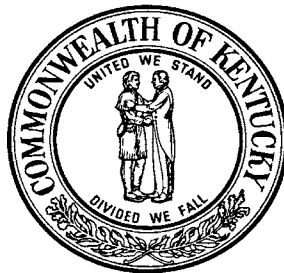


**REPORT OF THE AUDIT OF THE  
BOURBON COUNTY  
CLERK**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BOURBON COUNTY CLERK**

**For The Year Ended  
December 31, 2001**

The Auditor of Public Accounts has completed the Bourbon County Clerk's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees decreased by \$6,627 from the prior calendar year, resulting in excess fees of \$2,322 as of December 31, 2001. Revenues decreased by \$96,366 from the prior year and disbursements decreased by \$92,534.

#### **Deposits:**

The Clerk's deposits were insured and collateralized by bank securities or bonds.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Donnie Foley, Bourbon County Judge/Executive

Honorable Richard S. Eads, Bourbon County Clerk

Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Bourbon County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Donnie Foley, Bourbon County Judge/Executive  
Honorable Richard S. Eads, Bourbon County Clerk  
Members of the Bourbon County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 10, 2003



BOURBON COUNTY  
 RICHARD S. EADS, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

Library and Archives Grant		\$	15,280
State Fees For Services			10,463
Fiscal Court			6,636
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	479,401	
Usage Tax		2,084,695	
Tangible Personal Property Tax		1,456,268	
Licenses-			
Fish and Game		4,781	
Marriage		6,314	
Occupational		748	
Coin		3,935	
Passports		7,600	
Filing Fees		150	
Deed Transfer Tax		66,008	
Delinquent Tax		<u>62,091</u>	4,171,991
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	11,059	
Real Estate Mortgages		44,923	
Chattel Mortgages and Financing Statements		56,898	
Powers of Attorney		1,269	
All Other Recordings		25,314	
Charges for Other Services-			
Copywork		<u>6,082</u>	145,545
Other:			
Miscellaneous	\$	29,337	
Health Insurance Co-Pay and Refunds		<u>5,681</u>	35,018
Interest Earned			<u>4,640</u>
Total Receipts		\$	4,389,573

The accompanying notes are an integral part of this financial statement.

BOURBON COUNTY  
 RICHARD S. EADS, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2001  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 353,960
Usage Tax	2,017,384
Tangible Personal Property Tax	536,496

Licenses, Taxes, and Fees-

Fish and Game	4,570
Delinquent Tax	13,056
Legal Process Tax	17,990
Candidate Filing Fees	90
Passports	5,790
	<hr/>
	\$ 2,949,336

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 157,150	
Delinquent Tax	7,871	
Deed Transfer Tax	62,707	
Occupational Licenses	350	228,078
	<hr/>	

Payments to Other Districts:

Tangible Personal Property Tax	\$ 703,988	
Delinquent Tax	26,000	729,988
	<hr/>	

Payments to Sheriff 772

Payments to County Attorney 8,858

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 274,323
Part-Time Salaries	12,907

Employee Benefits-

Employer's Share Social Security	25,749
Employer's Paid Health Insurance	5,241

The accompanying notes are an integral part of this financial statement.

BOURBON COUNTY  
 RICHARD S. EADS, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2001  
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Contracted Services-		
Restoration	\$ 15,280	
Advertising	107	
Computer Expense	5,111	
Tax Bill Preparation	1,200	
Printing and Binding	53	
Materials and Supplies-		
Office Supplies	8,386	
Other Charges-		
Conventions and Travel	7,694	
Dues	270	
Postage	37	
Telephone	4,485	
Rebates and Refunds	33,955	
Copier Repair	7,303	
Uncollected NSF Checks	1,023	\$ 403,124
Total Disbursements		<u>\$ 4,320,156</u>
Net Receipts		\$ 69,417
Less: Statutory Maximum	\$ 61,306	
Training Incentive	2,189	<u>63,495</u>
Excess Fees		\$ 5,922
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for 2001		\$ 2,322
Payments to County Treasurer - February 26, 2002	\$ 2,259	
January 22, 2003	63	<u>2,322</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

BOURBON COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

BOURBON COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2001, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grants

The County Clerk received two local records microfilming grants from the Kentucky Department for Libraries and Archives. The first grant was received in 1996 and held in a certificate of deposit until the project could be completed. The balance of this grant as of January 1, 2001 was \$21,206. During 2001, this grant earned interest of \$1,043 and \$15,280 of grant funds were expended. The unexpended grant balance is \$6,969 as of December 31, 2001. The second grant was received in 2001 in the amount of \$15,325. No grant funds were expended during calendar year 2001 and interest in the amount of \$66 was received. The unexpended grant balance is \$15,391 as of December 31, 2001.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
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Members of the Bourbon County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Bourbon County Clerk for the year ended December 31, 2001, and have issued our report thereon dated February 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Bourbon County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bourbon County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 10, 2003

